Quarterly report

CEO Øyvind Isaksen and CFO Roar Østbø

First quarter 2013

Agenda

- Highlights and Key figures for 1Q'13
- Strategic positioning and Profit Improvement Program
- Financial review
- Market update
- Outlook

Highlights

- Q1 revenues impacted by pending project decisions and low product sales
- NOK 89 million order intake
- Q1 results affected by NOK 25 million restructuring charge
- Launching extensive Profit Improvement Program to cost optimize the RUC business
- Still awaiting start-up of the major Jakarta-project

NOK 1,000	1Q-13	1Q-12
Revenues	138 047	120 760
EBITDA	-37 791	2 185
EBIT	-53 368	-9 842
EPS	-0.62	-0.09

Strategy update

- The Road User Charging (RUC) market is immature
  - \+ A lot of untapped business potential
  - \- Political risk, dependency on large individual projects, revenue fluctuations
- Current RUC business volumes and revenues are unable to support the current cost base and capital investment spending level
- We are addressing these challenge along two main lines;
  - Implementing an extensive Profit Improvement Program to cost optimize the RUC business
  - Increasing our exposure towards the ATMS market, which offers new revenue streams and reduced risk
- Measures are expected to significantly improve results and financial robustness

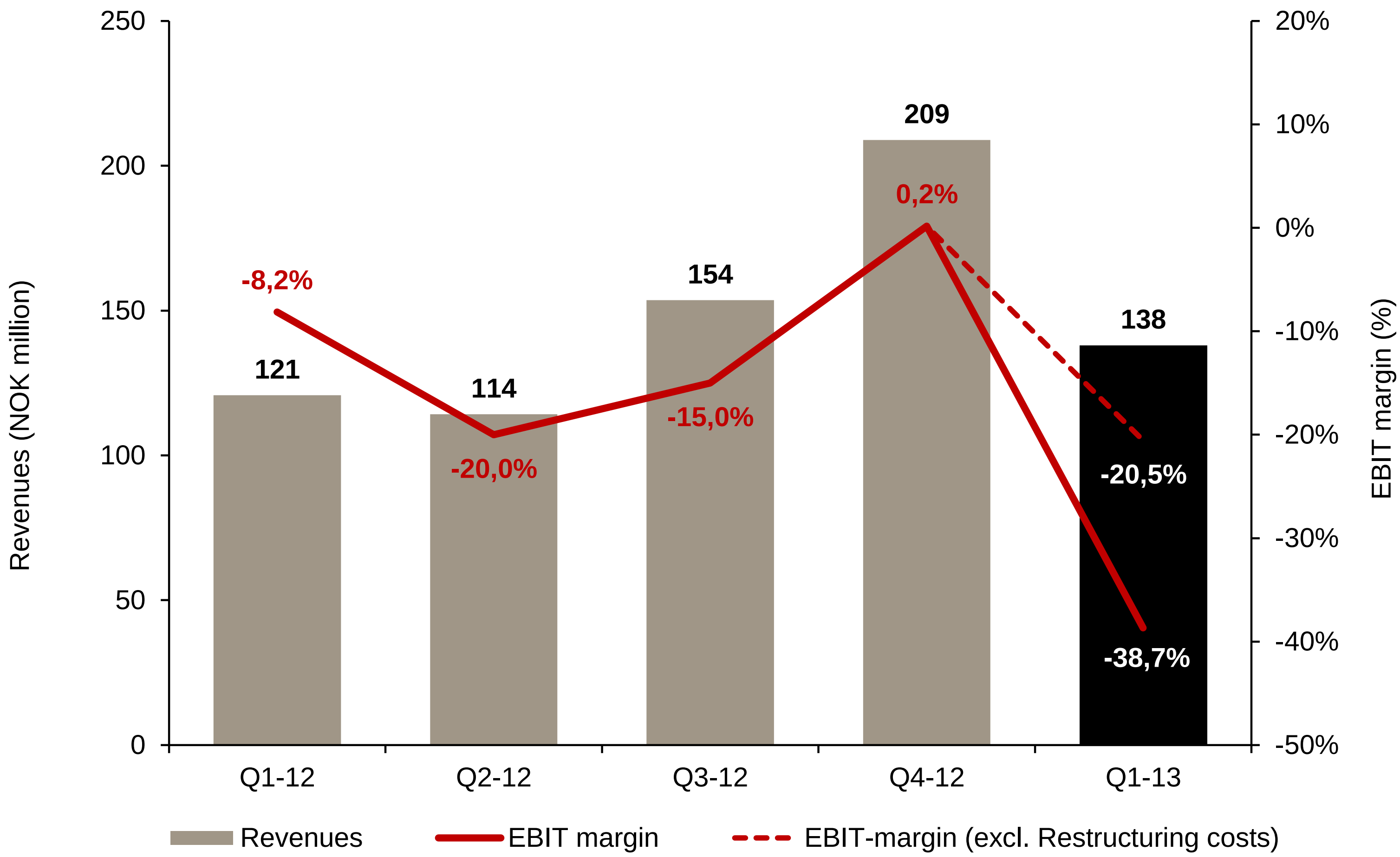
Profit Improvement Program (PIP)

- **Targeting NOK 60 million annual reduction**
  - Operational costs (NOK 40m)
  - Capital investment spending (NOK 20m)
- Care has been taken to avoid affecting future growth possibilities or execution capabilities for existing or imminent projects

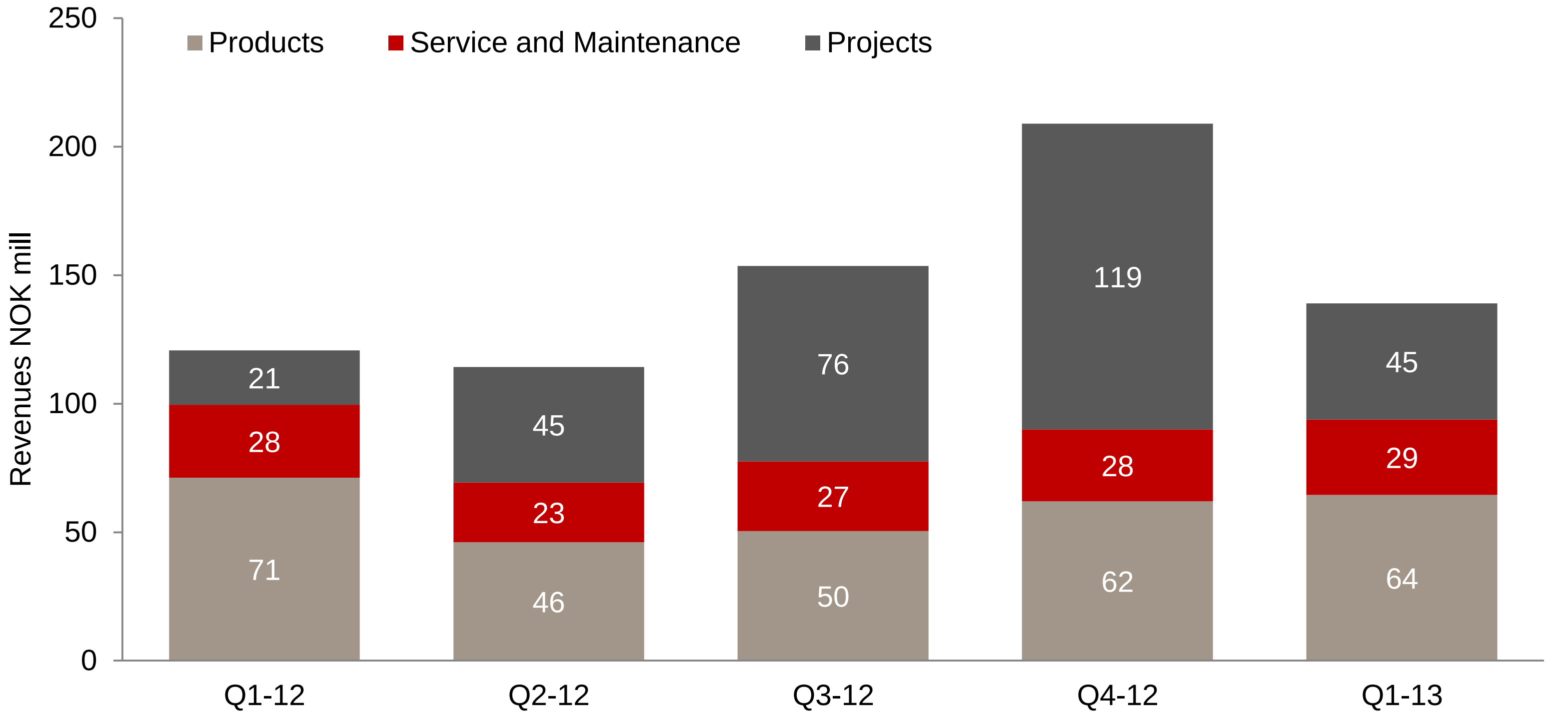
Financial Review

Presented by CFO Roar Østbø

Revenues and EBIT margin



Revenues per Business Area



MNOK	Q1-12	Q2-12	Q3-12	Q4-12	Q1-13
Products	71	46	50	62	**64**
Service and Maintenance	28	23	27	28	**29**
Projects	21	45	76	119	**45**
TOTAL	**121**	**114**	**154**	**209**	**138**

Profit and Loss Statement

NOK 1,000	Q1 2013	Q1 2012	Q/Q-%	2012
Revenues	138 047	120 760	14.3 %	597 532
Gross profit	86 323	77 637	11.2 %	370 442
Gross margin - %	62.5 %	64.3 %	n.m.	62.0 %
Operating expenses	124 113	75 452	64.5 %	376 434
Operating profit - EBITDA	-37 791	2 185	n.m.	-5 991
EBITDA margin	-27.4 %	1.8 %	n.m.	-1.0 %
Depr., amort, and impairment	15 577	12 027	29.5 %	49 315
Operating profit - EBIT	-53 368	-9 842	n.m.	-55 306
EBIT margin	-38.7 %	-8.2 %	n.m.	-9.3 %
Pretax profit	-55 269	-8 355	n.m.	-44 623
Profit margin	-40.0 %	-6.9 %	n.m.	-7.5 %
EPS	-0.62	-0.09	n.m.	-0.51

- Q1-13 revenue increase is mainly explained by higher project activity
- NOK 25 million accrual for restructuring included in operating expenses
- Opex increase due to higher project activity, Jakarta build-up and start-up of the ATMS business
- Q1-13 fixed cost on same level as Q4-12; increased D&A from Single Gantry and TCS

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Profit Improvement Program (PIP)

- Targeting **NOK 60 million** annual reduction of operational costs (40 million) and capital investment spending (20 million)
  - NOK 22 million reduced spending on technology development, following several years of high spending to establish the current state-of-the-art portfolio
  - NOK 24 million cost optimization in operational units both in Norway and internationally
  - NOK 14 million cut in general administration and support functions
  - Workforce reduction in excess of 10%, approximately 30 employees
- Gradual implementation and effect over the next 12 months
  - Expected effect in 2013: NOK 18 million reduction of operational costs and NOK 20 million reduction in capital investment spending
  - NOK 25 million accrual for restructuring cost in Q1-13

Cash flow statement

NOK 1,000	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	2012
Net cash flow from operations	-49 327	-3 631	-53 689	87 188	-22 970	-19 459
Net cash flow from investments	-9 730	-15 931	-10 929	-43 039	-18 897	-79 629
Net cash flow from financing	-565	30 155	-1 476	677	-344	28 791
Net change in cash in the period	**-59 622**	**10 593**	**-66 094**	**44 826**	**-42 211**	**-70 297**
Cash opening balance	439 787	380 165	390 758	324 665	**369 491**	**439 789**
Cash closing balance	**380 165**	**390 758**	**324 664**	**369 491**	**327 279**	**369 491**

- Increase in working capital, excluding accrual for restructuring costs
- Investment in TCS International, investments in production line and technology projects

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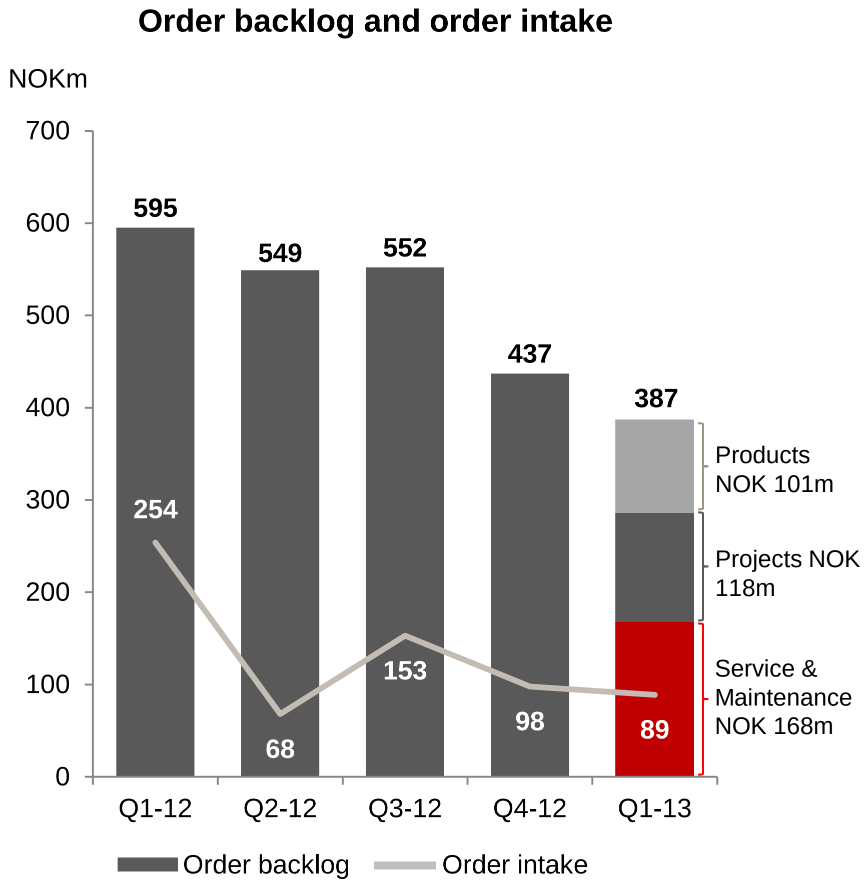
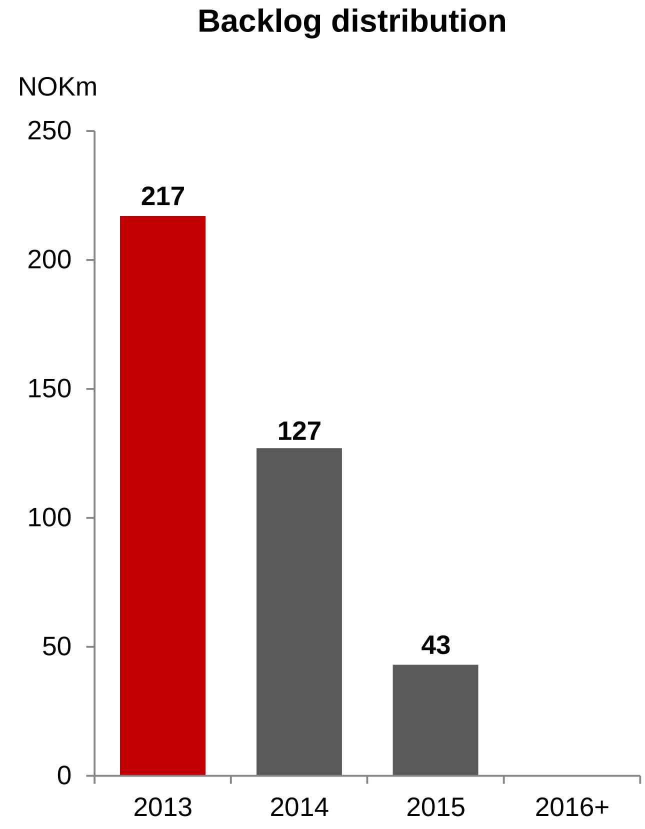
Balance sheet

NOK 1,000	31.03.2013	31.12.2012	31.03.2012
Total intangible assets	253 094	244 387	182 905
Non current assets	81 149	77 261	66 619
Cash & Cash equivalents	327 279	369 491	380 165
Other current assets	228 136	250 560	231 101
TOTAL ASSETS	**889 659**	**941 699**	**860 790**
Total Equity	585 568	630 908	631 434
Non current liabilities	126 041	124 287	107 483
Current liabilities	178 050	186 504	121 873
TOTAL EQUITY & LIABILITIES	**889 659**	**941 699**	**860 790**
Equity ratio	***65.8 %***	***67.0 %***	***73.4 %***
Net working capital	***50 087***	***64 056***	***109 228***
Working capital % 12 months Revenues	***8 %***	***11 %***	***17 %***

Order backlog and delivery schedule



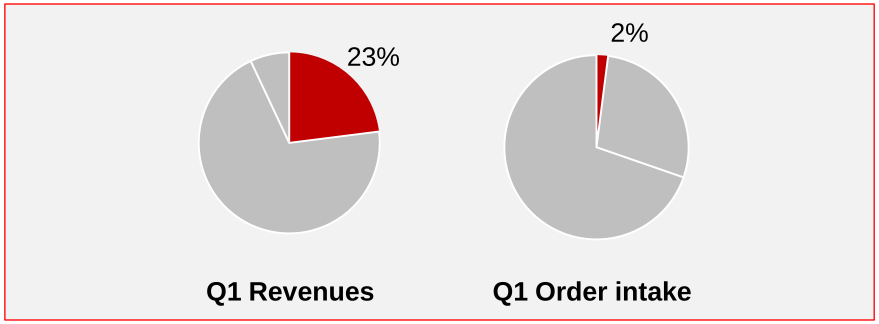


Market Update

Presented by CEO Øyvind Isaksen

Asia Pacific first quarter market update

- Deployment of Single Gantry multilane free flow project on **Sydney Harbour Bridge**
- New market opportunities expected to materialise for both tag supply and infrastructure projects in **Thailand**
- NOK 16 million tag order in **Australia** in April
- Positioning Q-Free for contracts in **Taiwan**



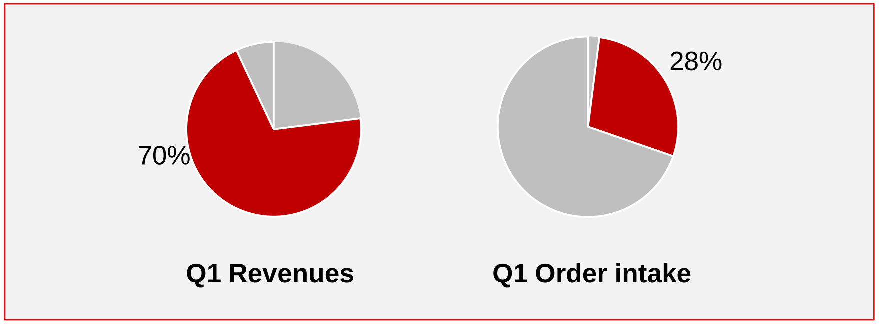
Jakarta update

- Major electronic law enforcement project, based on Q-Free's latest tolling solution
- Awaiting project start-up, which will release significant order backlog
- Electronic Road Pricing/ Congestion Charging project under planning

Google search phrase: «Jakarta traffic»

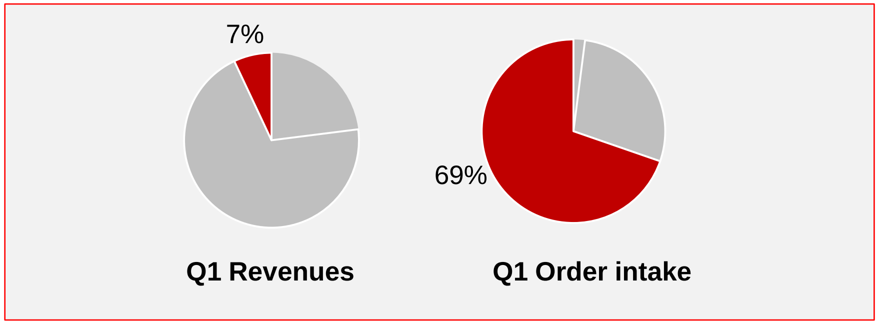
EMEA first quarter market update

- Few projects firming into final investment decisions
- Nationwide back-office tender in **Norway** in 2013, continued business opportunities in **Sweden**
- Truck tolling projects progressing in **Belgium** and **Slovenia**, major future opportunity in **Russia**
- Multilane Free Flow opportunities in **Spain**



North and Latin America first quarter market update

- Two new contracts awarded
  - NOK 23 million tag contract in **Brazil**
  - NOK 19 million tag contract in **Chile**
- Considering alternative approaches in **Brazil** in light of the technology shift
- Bidding for infrastructure and tag contracts in **Chile**
- Successful entry into ATMS in **North America** with TCS International



Summary and Outlook

- Taking firm actions to improve results
  - Launching Profit Improvement Program to optimise costs in Road User Charging (RUC)
  - Targeting NOK 60 million reduction in operational costs and capital investment spending
- Strategic broadening of business scope into the Advanced Transportation Management Systems (ATMS) market
- Still awaiting start-up of the major Jakarta-project

Q&A

First quarter 2013